



United States
Department of
Agriculture

Food
Consumer
Service

Mountain Plains
Region

1244 Speer Blvd.
Denver, CO
30204-3581

AUG 20 1998

Reply to
Attn. of: CACFP-553

Subject: Audit Requirements - Child and Adult Care Food
Program (CACFP) Policy Clarification on
Proprietary Title XIX and Title XX Institutions

To: STATE AGENCY DIRECTORS - Colorado DPHE, Iowa, Kansas,
(Child Nutrition Programs) Missouri DH, Montana DPHSS,
Nebraska ED, North Dakota,
South Dakota, Utah and
Wyoming ED

This is to advise that Departmental Regulation, 7 CFR Part 3052, addresses the audit requirements of for-profit subrecipients and supersedes the audit requirements established at 7 CFR 226.8(a) for CACFP Proprietary Title XIX and Title XX institutions. It also supersedes our CACFP-487, dated November 13, 1996, "Policy Clarification on Proprietary Title XIX and Title XX Audits."

The only Departmental regulation which addresses audit requirements for State and local governments and not-for-profit organizations operating United States Department of Agriculture (USDA) Programs is 7 CFR Part 3052. Part 3052 implements the revised OMB Circular A-133, published June 30, 1997. OMB Circular A-133 made major changes to the audit requirements, raising the Federal assistance threshold to \$300,000 for organizationwide and program-specific audits of public or nonprofit entities. Additionally, the Departmental Regulation addresses audit requirements of for-profit subrecipients at 7 CFR 3052.210(e) as follows:

"For-profit subrecipient. Since this part [7 CFR Part 3052] does not apply to for-profit subrecipients, the pass-through entity is responsible for establishing requirements, as necessary, to ensure compliance by for-profit subrecipients. The contract with the for-profit subrecipient should describe applicable compliance requirements and the for-profit subrecipient's compliance responsibility. Methods to ensure compliance for Federal awards made to for-profit subrecipients may include pre-award audits, monitoring during the contract, and post-award audits."

Therefore, each State Agency (SA) has the authority and responsibility for establishing audit policy for Proprietary

Title XIX and Title XX institutions under its oversight with regard to any Federal funds received from USDA. However, any audit policy established by a SA must not conflict with the authority of both the SA and USDA to perform, or cause to be performed, audits, reviews, agreed-upon procedures, and other monitoring activities. Additionally, the institutions must comply with the audit requirements of all other Federal departments from which they receive funding.

We encourage you to continue to require audits of Proprietary Title XIX and Title XX institutions. However, we believe that the threshold for these audits previously established at \$25,000 should be raised, given the cost of the audits relative to the benefits. Regardless of the decision made by the SA with regard to audits of these select Proprietary Title XIX and Title XX institutions, the regulatory requirements of 226.6(1) with regard to reviews must be met.

If you have any questions or require further clarification please contact my staff at (303) 844-0359.



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